

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03  
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INFO USDOC WASHDC  
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AMEMBASSY BERLIN  
AMEMBASSY BUCHAREST  
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AMEMBASSY MOSCOW  
AMEMBASSY SOFIA  
AMEMBASSY VIENNA  
AMEMBASSY WARSAW  
USMISSION NATO  
USMISSION EC BRUSSELS

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E.O. 11652: NA  
TAGS: EALR, EGEN, CZ  
SUBJECT: FIRST QUARTER 1977 ECONOMIC RESULTS

VIENNA FOR AGATT

REF A. PRAGUE 1017(NOTAL); B. PRAGUE 0351

1. SUMMARY: PUBLISHED RESULTS FOR CZECHOSLOVAK ECONOMY  
DURING FIRST QUARTER 1977 HAVE BEEN SKETCHY EVEN BY GOC STANDARDS.  
FIGURES THAT HAVE BEEN RELEASED AND ABSENCE OF MANY  
KEY INDICATORS SUGGEST THAT ECONOMIC MALIASE OF LAST YEAR (REF B)  
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HAS CONTINUED INTO SECOND YEAR OF SIXTH FIVE-YEAR PLAN. END  
SUMMARY.

2. GOC SAYS VOLUME OF INDUSTRIAL PRODUCTION ROSE 5.3 PERCENT  
OVER COMPARABLE PERIOD IN 1976. LAST YEAR'S 5.5 PERCENT  
INCREASE IN INDUSTRIAL OUTPUT WAS BELOW LEVEL NEEDED TO MEET  
FIVE-YEAR PLAN PROJECTION (REF B), BUT PERCENTAGE FIGURE GIVEN FOR

1977 FIRST QUARTER IS NOT SUFFICIENT TO DETERMINE IF FIVE-YEAR PLAN TARGET CAN BE REACHED. THE RELATIVELY LOW FIGURE AND SOMEWHAT MUTED SELF-CONGRATULATION INDICATE THERE IS STILL NO CAUSE FOR CZECHOSLOVAKS TO REJOICE.

3. INDUSTRIAL ENTERPRISES REPORTEDLY EXCEEDED THEIR PLANS BY .5 PERCENT (.4 PERCENT IN THE CZECH REPUBLIC, WHERE MAJORITY OF INDUSTRIES IS LOCATED). IN A SEPARATE REPORT, IT WAS NOTED THAT 32 PERCENT OF ALL INDUSTRIAL ENTERPRISES FAILED TO MEET PLAN (120 ENTERPRISES IN THE CZECH REPUBLIC WERE CASTIGATED FOR FAILURE TO MEET PLAN). RE TWO PRIORITY INDUSTRIES, CHEMICALS REGISTERED A "QUICK" GROWTH BUT ENGINEERING PRODUCTION WAS BELOW PLAN.

4. A RELATIVELY LARGE AMOUNT OF PUBLICITY IS DEVOTED TO REASONS FOR FAILURE TO MEET PLAN. CENTRAL CULPRIT IS AGAIN LABOR SHORTAGE IN ITS VARIOUS ASPECTS (I.E., LACK OF LABOR, HIGH ABSENTEEISM, ETC.). OTHER CAUSES CITED FOR FAILURE WERE BREAKDOWNS IN PRODUCTION EQUIPMENT, SALES DIFFICULTIES DUE TO WHOLESALE PRICE CHANGES (BEING REPORTED SEPTTEL), SALES DIFFICULTIES DUE TO "LESSER INTEREST IN PRODUCTS", AND CHANGING DEMANDS ON TECHNICAL PARAMETERS.

5. AGRICULTURE IS SUPPOSEDLY OFF TO A QUICK START AFTER LAST YEAR'S DOUGHT-INDUCED SET-BACKS. SUPPLIES OF MEAT TO MARKET ROSE 8,400 TONS OVER SAME PERIOD LAST YEAR (POSSIBLY REFLECTING INCREASED SLAUGHTER DUE TO GRAIN SHORTAGES), MILK PRODUCTION IS UP BY 47 MILLION LITERS, AND 2.3 MILLION MORE EGGS WERE PRODUCED THAN IN JANUARY-MARCH 1976.

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6. ON THE FOREIGN TRADE FRONT, LAST YEARS TRENDS SEEM TO BE CONTINUING AS CZECHOSLOVAKIA'S TRADE BALANCE WITH CEMA IMPROVED AND DEFICIT WITH ADVANCED CAPITALIST STATES WORSENER. EXPORTS TO COMMUNIST COUNTRIES ARE UP 14.5 PERCENT OVER THE SAME PERIOD LAST YEAR WHILE IMPORTS ROSE BY ONLY 7.9 PERCENT. EXPORTS TO CAPITALIST COUNTRIES WERE ONLY 3.7 PERCENT ABOVE FIRST QUARTER 1976, BUT IMPORTS LEAPED 25.1 PERCENT OVER THE SAME PERIOD.

7. COMMENT: MOST MARKED ASPECT OF FIRST QUARTER REPORTS IS THE PAUCITY OF INFORMATION. SEVERAL EXPLANATIONS ARE PLAUSIBLE, INCLUDING THE NORMAL SLOWNESS OF CZECHOSLOVAK STATISTICAL OFFICE AND (MORE LIKELY) THE LACK OF GOOD NEWS TO EMPHASIZE. AN OVER-PLAN FULFILLMENT OF JUST .5 PERCENT (THAT ATTRIBUTED TO INDUSTRIAL ENTERPRISES) IS QUITE LOW AND INDICATES THAT PROBLEMS IN CERTAIN INDUSTRIAL SECTORS MAY BE INTENSIFYING. IT IS ALSO INTERESTING TO NOTE THE RELATIVE DETAIL DEVOTED TO EXPLAINING FAILURES. FOREIGN TRADE TRENDS SEEM TO BE CONTINUING, AND WHILE THE IMPROVING CONDITIONS IN CEMA BALANCES ARE HEARTENING TO GOC, THEY ARE MORE THAN OFFSET BY THE APPARENTLY WORSENER DEFICIT WITH

HARD-CURRENCY TRADING PARTNERS. THE LATTER, IN TURN, TENDS TO  
CONFIRM REPORTS (REF A) THAT GOC WILL INCREASINGLY HAVE TO BORROW IN  
THE WEST.  
BYRNE

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## Message Attributes

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